

MINUTES

MONTANA SENATE 57th LEGISLATURE - REGULAR SESSION COMMITTEE ON TAXATION

Call to Order: By **CHAIRMAN BOB DEPRATU**, on February 13, 2001 at 8:00 A.M., in Room 405 Capitol.

ROLL CALL

Members Present:

Sen. Bob DePratu, Chairman (R)
Sen. Alvin Ellis Jr., Vice Chairman (R)
Sen. John C. Bohlinger (R)
Sen. Mack Cole (R)
Sen. Pete Ekegren (R)
Sen. Jon Ellingson (D)
Sen. Bill Glaser (R)
Sen. Dan Harrington (D)
Sen. Emily Stonington (D)

Members Excused: None.

Members Absent: None.

Staff Present: Lee Heiman, Legislative Branch
Deb Thompson, Committee Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Committee Business Summary:

Hearing(s) & Date(s) Posted: Senate Bill 365, 1/31/2001;
Senate Bill 347, 1/31/2001;
Senate Bill 365, 2/1/2001
Executive Action: Senate Bill 264 Pass as
amended 9-0; Senate Bill 317
Pass 9-0; Senate Bill 346 Pass
as amended 9-0; Senate Bill
366 Table 7-2; Senate Bill 365
Table; Senate Bill 347 Table
Department of Revenue Presentation on
Telecommunication Excise Tax

HEARING ON SENATE BILL 346

Sponsor: SENATOR JOHN COBB, SD 25, Augusta

Proponents: None

Opponents: Gordon Morris, MACO

Opening Statement by Sponsor: SENATOR COBB presented the bill. He described the bill as providing amnesty for delinquent property taxpayers. He distributed information about what other states were doing. **EXHIBIT (tas36a01)** He said the inducement to get people to pay their back taxes would be to bring in some revenue for the state. It does allow for the penalties and interest to be caught up, especially for larger payers. **{Tape : 1; Side : A; Approx. Time Counter : 0 - 4.4}**

Proponents' Testimony: None

Opponents' Testimony: Gordon Morris, Director of Montana Association of Counties, spoke against the bill because of the technical problem it created. He felt a promise of amnesty was nothing more than an opportunity for corporations to take advantage of the situation.

Questions from Committee Members and Responses: SENATOR ELLIS asked what the logic was behind the bill. SENATOR COBB described how other states had done the amnesty program. The difficulty paying back taxes is because you had to pay the current and all the back ones at the same time. Low income or residential home owners would be allowed to catch up. Most people aren't tax cheats, they would pay it if they had the money. It would get revenue for the state and allow people to catch up. Most states have tried it once and some states additional times.

SENATOR BOHLINGER asked about the opposition to the proposal and what kind of problems this presented to the counties. Mr. Morris described the delinquent taxes. He said about 7% of property taxes go delinquent on an annual basis. This is usually made up the following year by being paid. The penalty and interest amounts to about 12% annually. He felt everyone should go to the bank for a lower interest rate and pay their taxes in that manner. **{Tape : 1; Side : A; Approx. Time Counter : 12 - 14.4}**

SENATOR ELLIS asked if the bill could be amended to limit it to a certain amount. He pointed out there was a taxpayer in Carbon County who was delinquent in the amount of \$116,900 which was creating problems for a school district.

SENATOR HARRINGTON recommended a one time amnesty would help clear the decks. **Mr. Morris** questioned if this would be a benefit to give someone amnesty that was delinquent three years at the expense of all the other taxpayers who did pay their bills. He felt this would be giving some people more favor than those who were responsible.

SENATOR COBB said that most states had a 60-90 day window. **CHAIRMAN DEPRATU** commented that if the date was March 1-May 1 there would not be any opportunity to use this as float. It may just stimulate the cash flow.

SENATOR COLE asked if this bill would cover just the delinquent taxes this year or for all delinquent taxes for the past three years. He pointed out a person could pay one year back taxes but be behind all the time. This would be a hard hit for some of the small counties. **Mr. Morris** responded it would cover any taxes back the full three year period and beyond. He noted that some taxes were already delinquent and people had taken an assignment on them.

Closing by Sponsor: **SENATOR COBB** closed. He pointed out the discussion on assignments was covered in the bill on Page 1, Line 16 and 22-23.

HEARING ON SENATE BILL 347

Sponsor: **SENATOR JOHN COBB**, SD 25, Augusta

Proponents: None

Opponents: **Robert Throssell, County Treasurer's Association;**
Harold Blattie, Stillwater County Commissioner

Opening Statement by Sponsor: **SENATOR COBB** presented the bill. He explained the bill would allow for quarterly property tax payments. This would recognize cash flow issues.

Proponents' Testimony: None

Opponents' Testimony: **Robert Throssell** said the concept was good and would be a benefit to the taxpayer. However, this would present a problem to the counties who must deal with fiscal years and budgets. The other concern deals with bond payments which are usually due in January and June. These are tied to the receipt in November and May of a fairly sizeable payment on the bonds, interest and principal. The change from semi-annual to quarterly would disrupt the counties budgeting process. This

would affect numerous statutes. **{Tape : 1; Side : A; Approx. Time Counter : 25 - 30}**

Harold Blattie, County Commissioner of Stillwater County, spoke against the bill. He said increased printing costs, software programming and increased workload would all affect counties. The biggest concern was the fourth quarter payment being in August would be a budget nightmare and make it difficult to project cash flow and year end cash balance each month. There were a significant number of other statutes that govern functions of the Clerk and Recorder and Treasurer that would be necessary to change. He pointed out a number of very large taxpayers who were not centrally assessed, such as Stillwater Mine. This would significantly help their cash flow. **{Tape : 1; Side : B; Approx. Time Counter : 4.7 - 6}**

Gordon Morris, spoke against the bill. He pointed out the bulk of taxpayers were residential homeowners and their mortgages were paid monthly. Most of their taxes were included in their mortgage payments. The only benefits would go to the escrow agents.

Questions from Committee Members and Responses: None

Closing by Sponsor: SENATOR COBB closed.

HEARING ON SENATE BILL 365

Sponsor: SENATOR JOHN COBB, SD 25, Augusta

Proponents: Mary Whittinghill, Montana Taxpayer Association

Informational Witness: Robert Throssell, County Treasurers Association

Opponents: Gordon Morris, MACO

Opening Statement by Sponsor: SENATOR COBB presented the bill. He said this would allow installment payments of delinquent taxes. He distributed information from California.

EXHIBIT (tas36a02)

Proponents' Testimony: Mary Whittinghill, Montana Taxpayer Association said she supported the concept. Any provisions that allowed taxpayers to become current with their taxes would be positive.

Opponents' Testimony: Gordon Morris, MACO, was against the bill. He felt this would create technical problems for counties.

Questions from Committee Members and Responses: SENATOR STONINGTON pointed out there was no provision for interest and penalties.

Closing by Sponsor: SENATOR COBB closed.

EXECUTIVE ACTION ON SENATE BILL 264

Lee Heiman explained the amendment #26404. **EXHIBIT(tas36a03)** He said these amendments provided for matching Medicaid money for alcohol and chemical dependency. This also provided for the co-occurring mental illnesses and chemical dependency. This puts a cap on co-dependency of \$1.3 million a biennium. **SENATOR BOHLINGER MOVED TO ADOPT THE AMENDMENT #26404.** The question was called. The motion **PASSED** unanimously.

SENATOR ELLIS MOVED TO ADOPT AMENDMENT #026405.

EXHIBIT(tas36a04) Lee Heiman explained this references the co-occurring mental illness and chemical dependency section, originally put in by Senator Waterman. This allows those that were getting the extra money to continue at that same level. The question was called. The motion was **ADOPTED** 5-3.

SENATOR ELLIS MOVED THE BILL AS AMENDED. The motion **PASSED** unanimously. *{Tape : 1; Side : B; Approx. Time Counter : 16 - 30}*

EXECUTIVE ACTION ON SENATE BILL 317

SENATOR ELLIS MOVED DO PASS. SENATOR EKEGREN commented that he had talked to **Mark Baker** and thought Anheuser Busch was taking an unfair advantage over the small brewers. However, they were dropping their amendment regarding the storage depots. *{Tape : 2; Side : A; Approx. Time Counter : 0 - 3.3}*

SENATOR GLASER pointed out this would have a \$30 thousand dollar impact on cities and towns. **SENATOR ELLIS** said he could understand an excise tax on people who sell a lot of beer in the state of Montana. However, there is no justification for this heavy of a tax on these small business people who pay a lot of tax already in the form of personal property taxes and other business taxes.

SENATOR BOHLINGER said he felt the tax burden on small businesses was unfair. They create jobs and opportunities for people. He felt the \$30 thousand dollar hit on counties, spread over the whole state was insignificant. Instead it would level the playing field.

The question was called on the motion. The motion **PASSED** unanimously.

EXECUTIVE ACTION ON SENATE BILL 366

SENATOR HARRINGTON MOVED DO PASS. The question was called. The motion **FAILED** 3-6. **SENATOR STONINGTON MOVED TO TABLE.** The motion **PASSED** 7-2 with **SENATORS HARRINGTON AND ELLINGSON** voting no.

EXECUTIVE ACTION ON SENATE BILL 346

SENATOR HARRINGTON MOVED DO PASS. He noted the federal government often gives amnesty for paying taxes. *{Tape : 2; Side : A; Approx. Time Counter : 17 - 29}*

CHAIRMAN DEPRATU said this was a good idea. He suggested two amendments. One was conceptual to cover class 4 residential and class 3 land. He **MOVED TO ADOPT** the amendment. The question was called. The motion **PASSED** unanimously.

Lee Heiman explained the amendment #34601. **EXHIBIT(tas36a05)**
SENATOR COLE MOVED TO ADOPT THE AMENDMENT. The question was called. The motion **PASSED** 6-3 with **SENATORS ELLINGSON, HARRINGTON AND STONINGTON** voting no. *{Tape : 2; Side : A; Approx. Time Counter : 29 - 30.2}*

SENATOR COLE MOVED THE BILL AS AMENDED. The motion **PASSED** unanimously.

EXECUTIVE ACTION ON SENATE BILL 365

SENATOR EKEGREN MOVED DO PASS. SENATOR COLE MADE A SUBSTITUTE MOTION TO TABLE. The question was called. The motion **PASSED** unanimously.

EXECUTIVE ACTION ON SENATE BILL 347

SENATOR ELLIS MOVED TO TABLE. The motion **PASSED** unanimously.
{Tape : 2; Side : B; Approx. Time Counter : 0.8 - 1.8}

**DEPARTMENT OF REVENUE
PRESENTATION**

DIRECTOR KURT ALME presented written information on the Retail Telecommunication Excise Tax. **EXHIBIT(tas36a06)** **{Tape : 3; Side : A; Approx. Time Counter : 0 - 10.6}**

ADJOURNMENT

Adjournment: 10.27 A.M.

SEN. BOB DEPRATU, Chairman

DEB THOMPSON, Secretary

BD/DT

EXHIBIT (tas36aad)